EXHIBIT E

ORIGINAL

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

In re: INACOM CORP., et al.,

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INACOM CORP., on behalf of all affiliated Debtors, Plaintiff, -against- TECH DATA CORP., Defendant.	Civ Act No. 04-148 GMS Adversary No. 02-03496 PJW
INACOM CORP., on behalf of all affiliated Debtors, Plaintiff, -against- DELL COMPUTER CORPORATION, Defendant.	Civ Act No. 04-582 GMS Adversary No. 02-03499 PJW
INACOM CORP., on behalf of all affiliated Debtors, Plaintiff, -against- LEXMARK INTERNATIONAL, INC., Defendant.	Civ Act No. 04-583 GMS Adversary No. 02-03500 PJW
INACOM CORP., on behalf of all affiliated Debtors, Plaintiff, -against- INGRAM ENTERTAINMENT, INC., successor in interest to NASHVILLE COMPUTER LIQUIDATORS, Defendant.	Civ Act No. 04-593 GMS Adversary No. 02-03960 PJW

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July 28, 2005

9:11 a.m.

Deposition of JASON FENSTERSTOCK

July 28, 2005

9:11 a.m.

Deposition of JASON FENSTERSTOCK, held at the offices of Pachulski Stang Ziehl Young Jones & Weintraub, 780 Third Avenue, New York, New York, pursuant to Agreement, before John Ianno, Jr., a Notary Public of the State of New York.

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ALSO PRESENT:
DEAN VOMERO
RICHARD A. WHALEN

J A S O N   F E N S T E R S T O C K,

called as a witness, having been first duly sworn by the Notary Public (John Ianno, Jr.), was examined and testified as follows:

(Plaintiff's Exhibits 1 through 8, expert reports and related documents, marked for identification, as of this date.)

EXAMINATION BY

09:11:30 **MR. CAINE:**

Q. Good morning. Could you please state your name for the record.

A. Jason Forbes Fensterstock.

Q. Could you spell your name for the record.
09:11:44

A. J A S O N, F O R B E S, F E N S T E R S T O C K.

Q. Are you currently employed?

A. Yes.

09:11:54 Q. By whom, or what entity?

A. Alix Partners.

Q. What is your current business address, please?

A. 9 West 57th Street, New York, New York.
09:12:07

J. Fensterstock

See that?

A. Yes.

Q. What circumstances were you referring to?

10:07:42

A. All of the company circumstances, as of April 17.

Q. Why was April 17 chosen?

A. That was the date that counsel asked us to make our assessment as of.

10:07:58

Q. Why was not April 22nd chosen?

A. I believe April 17 was the date after which all of the clients that have retained us, by that date all of the payments that are subject to attack in this action had been received, and there was no need to go beyond that date.

10:08:33

Q. In the course of preparing your report, did you use any information of which Inacom became aware after April 17th?

A. Could you just please repeat that question.

10:09:01

Q. Sure. In the course of preparing your report, Exhibit 1, did you use any information of which Inacom became aware after April 17th?

A. In the course -- no.

10:09:29

J. Fensterstock

Q. So if something happened on April 18th and Inacom became aware of, you didn't use it in your report?

10:09:44 A. Except as set forth in this paragraph, we used the income statements and balance sheet as of the end of the April fiscal month for Inacom, and if there were liabilities that were not on that April 22nd balance sheet, but because of
10:10:40 information that became available to the company between the 17th and the 22nd, we wanted to adjust the liabilities to include those, so that the liabilities would not be understated.

Q. So do I understand you to say that any
10:11:15 liabilities that may have been discovered between April 17 and April 22nd were included in your report?

A. Yes.

Q. Was there any other information of
10:11:35 which the company may have become aware after April 17th, that you included in your report?

A. No, other than that which was reasonably foreseeable on April 17th. If it was not reasonably foreseeable at April 17th it would
10:12:06 not be included in our report.

Q. As you sit here today, can you identify any developments that were reasonably foreseeable at April 17th that you included or incorporated into your analysis?

A. Only those related to the balance sheet adjustment to liabilities, that we previously discussed.

Q. What were those balance sheet adjustments to liabilities? I don't mean the numbers, I mean what were the liabilities related to?

A. We reviewed the convertible debt associated with the missed preferred stock of Vanstar. We reviewed the -- something called misdirected payments. We reviewed something known as the overpayment made by Compac in connection with its purchase of the distribution and configuration business from Inacom in February of 2000. I believe that encompasses all, if -- substantially all, if not all, of what I was referring to.

Q. In the course of preparing your report, or thereafter, did you become aware of any information not known or reasonably foreseeable to

Inacom at April 17, that would have implication for its financial condition as of April 22nd?

A. No.

10:14:14 Q. Had you become aware of any such event, or information, would it have been appropriate to include it in your analysis?

A. Would you kindly repeat the question.

Q. Sure. Read it back.

10:15:38 (Record read.)

A. If I understand the question correctly, any information which was not known or reasonably foreseeable as of April 17th, that became available after April 17th, would not be 10:15:58 included in our analysis as of April 17th. If it was not known or reasonably foreseeable as of April 17th. I hope that is responsive.

Q. I understand that that is the manner in which you prepared this report. My question 10:16:19 is: If you became aware, during the course of preparing this report, of information that had material implication for Inacom's financial condition as of April 22nd, even though that information wasn't known or reasonably foreseeable 10:16:39 as of April 17th, would it have been appropriate

for you to incorporate into your analysis?

A. I don't believe so.

Q. Why not?

10:16:48 A. Because we were asked to value Inacom at a certain -- at a given date, and in any valuation process, there is a time frame beyond which no more data is available. There is a curtain that's drawn, you can't see beyond that 10:17:26 curtain, it becomes guesses. So you don't go beyond that curtain in your analysis.

I think someone asked a question about valuation of airplanes. I think that's a good analogy. If you are going to value a 747 on June 10:17:59 30th of 2001, and the valuation is being asked for, relative to June 30th, and your work is to be done as of June 30th, only based upon information that was known at June 30th, or could have been known at June 30th, one would not forecast, 10:18:32 project, guess, that on September 11th of 2001, some crazies were going to crash into the World Trade Center and do other terrible damage. So one would value those, that 747, without giving effect to what occurred on September 11th.

10:19:01 Q. Have you finished your answer?

J. Fensterstock

A. Yes.

Q. Is there any particular place in Exhibit 1, your May 2 report, to which you can point, that shows the analysis that went into that conclusion?

A. Which conclusion?

Q. That Inacom was able to pay its debts as it became due on April 22, 2000, without having to restructure its debt or sell any of its assets outside the ordinary course of business.

A. That was a background conclusion we did not provide the bases for in this report.

Q. What sorts of information did you use to come to that background conclusion?

A. All of the discovery documents that I reviewed, which included thousands of pages, among other items that I would highlight, which is a very short portion of the total list, would include the income statements for the four weeks ending April 22nd, which had the company at a $63 million revenue run rate for four weeks, which implies a $820 million annual revenue run rate, with historical gross margins between 30 and 40 percent, with projected gross margins of 34 to 35

percent, which gross margins had plenty of historical bases for in the calendars years '96, '7, '8, '9, all of which data had been reviewed for over a year and a half by Goldman Sachs, a world class investment banking firm, Houlahan Lokey, in its solvency opinion, Compac, in its determination that it was entering into a $55 million subordinated loan agreement, a three year, $420 million services and supply agreement, which was expected to produce 10 percent EBITDA margins on that 420 million, a distribution agreement which was 3 and a half percent sales, and a cooperation agreement which -- between Compac and Inacom, which provided for a transition of -- a transition period to work together, all of which intended long-term -- and excluding -- including the third and fourth bank amendments, pursuant to which Deutsche Bank was the agent bank, various borrowing base certificates, which showed availability, and the list is very lengthy, but that's a small portion of it.

Q. Can you recall any other documents?

A. I think those are the highlighted ones. I could go on and on and on, but I think

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those are the ones that would be primary in my thinking, but all of the others are included in my thinking because I personally viewed all of those documents.

10:54:02

Q. Can you recall any others?

A. Not at this time.

Q. Can you identify for me, again, the April, 2000 document that you referred to in that last answer?

10:54:21

A. There was an income statement for the four week period ending April 22nd, which provided -- there were several forms of that same income statement in the documents.

10:54:36

There was $63 million of revenue for the four weeks ending April 22nd. If I'm not -- if my memory is correct, the gross margin at that time for that four week period was 28 percent or so, and this was in a time frame in which almost all, in fact every one of the participants that I had mentioned, including Houlahan, Goldman, Greenhill, Deutsche Bank, Compac, and all the syndicate banks, in the agent facility, had understood that the March, April, May time frame for Inacom would be suboptimal, and that after

10:54:55

10:55:17

that period both revenues and margins would improve as the company was able to further downsize its operating costs, and the cash savings and resultant increase in EBITDA would kick in subsequently.

Q. Do you know if the April income statement, to which you just referred, incorporated any misdirected payment?

10:56:05 A. Misdirected payments would not be included in an income statement item, they would be balance sheet items.

Perhaps it would enter into some interest adjustment on the income statement, but that would be the -- and that interest adjustment would clearly not factor into either gross margin or EBITDA document calculations, since interest is an item below those calculations on an income statement.

10:56:39 Q. There was no balance sheet connected to the document to which you have been referring, the April income statement?

A. There was a consolidated balance sheet as of April 22nd.

10:56:52 Q. Did that balance sheet include --

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A. That I saw.

Q. Did that balance sheet include any misdirected payments?

A. We believe that it did.

Q. Did it include any liability for the $42 million overpayment by Compac?

A. May I take a moment to refresh my recollection?

Q. Sure.

A. We believe it did.

Q. You don't have the document in front of you today to check?

A. Correct, I don't have the document in front of me to check.

Q. Still on page 16, if you could look at the last bullet point. I'd like you to hold that page and at the same time turn to page 46 of your report. I direct your attention to the line item that says intangible assets and deferred income tax. See that?

A. Yes.

Q. On page 16 you indicate that you attribute no value to the company's significant tax attributes; correct?

J. Fensterstock

MR. POWELL: How does he do that?

Q. Tell me what they were. What documents did you use?

11:11:06 A. Among others, I refer you to pages 50 and -- among others I refer you to page 50 of our report.

Q. Did you use all of the documents referenced on page 50 in coming to your review of

11:11:45 the company's historical performance and revenue projections for 2000 through 2002?

A. Those on page 50 that were pertinent to that, we used.

Q. Did you use documents from the

11:12:05 Blackstone Group referenced in the top right-hand corner of page 50?

A. No.

Q. In any part of your analysis contained in any of your reports, did you use projections

11:12:53 prepared by the Blackstone Group?

A. No.

Q. Why not?

A. I referred back to our earlier questions and answers concerning what data was

11:13:10 used in connection with our analysis as of the

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valuation date, and Blackstone Group data was not, to my best knowledge, contemplated, or in existence, until sometime after the valuation date.

11:13:36

Q. Do you recall when those Blackstone projections were performed?

A. To my best recollection, sometime in May.

11:13:50

Q. Do you recall for what time period the projections applied?

A. Which projections?

Q. The Blackstone projections.

A. Not offhand at this time.

11:14:02

Q. Did it overlap any of the time periods for which you were considering projections, that is, 2000 through 2003?

A. I don't recall.

Q. In the course of reviewing the company's historical performance, did you use any actual performance data for the year 2000?

11:14:36

A. Could you please repeat the question.

Q. Sure. The first bullet point, you indicate you conducted a ten year DCF analysis based on the company's historical performance, and

11:14:59

revenue projections for 2000 through 2002; correct?

A. Yes.

11:15:07 Q. Did you review the company's actual performance for any of the time periods during the year 2000?

A. Yes.

Q. What time period?

11:15:20 A. The whole time period of 2000, prior to our valuation date.

Q. Did you use that actual data, for January 1 through April 22, 2000, in preparing your discounted cash flow analysis?

11:15:50 A. Did we use the actual data?

Q. Yes.

A. In preparing our discounted cash flow analysis?

Q. Yes.

11:17:01 A. In part, yes.

Q. How can I tell that from your report?

A. If you go to Exhibit B, and specifically if you go to B-3, that is where you will find the historical -- the only -- that is

11:17:32 where you will find, when you say use, there are

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two different ways to use data, among others. One is to incorporate specific numbers into an Excel spreadsheet, and the other one is to observe the data and have it factor into judgments made with respect to analyses.

In Exhibit B you will see some of the specific numbers we used in our Excel spreadsheets, what you cannot see is how the data we observed for calendar 2000 leading up to April 22, factored into our judgments concerning our DCF analysis.

Q. Let's talk about each of the ways in which you can use data. Are the actual performance numbers for Inacom, for the service business from January 1, through April 22, 2000, in your data?

A. Balance sheet numbers, as of April 22nd, are in our Excel spreadsheets that were used in the discounted cash flow analysis.

Q. What about revenue?

A. Revenue leading up to the date April 22nd, was reviewed by all of us, but is not set forth for the stub period, because of two factors. One factor is that the DCF analysis is for the

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future cash flows. You are discounting back future cash flows. You look at historical income statement and balance sheets to put the future into some type of a context.

In the context of this analysis, much of the financial data that we had for the period January 1 through April 22nd of 2000, included pre and post sale to Compac, data, did not include the expense reduction program that was thought through and contemplated by Inacom. Did not include, for example, the large services and supply arrangement between Compac and Inacom for $420 million of revenues, with $85 million obligated in calendar 2000 and 125 in 2001, and 145 in 2002, with the associated 10 percent EBITDA margins that were expected as presented to the board by Goldman Sachs in January of 2000, and so we had some degree of difficulty basing the future on -- let's just say 60 days from February 15th to April 22nd, where the data was not parsed out adequately.

So although we reviewed it, our footnotes would have been extensive if we had just copied that data and put it into historical context in Exhibit B, and we simply did not do

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that, but we went through all of the exercise that I have been trying to summarize for you.

Q. Did you, in that same exercise, use historical performance data for prior years?

A. Yes, for the service business.

Q. Correct. Do I understand you correctly you did use service business performance data from prior years as a source for looking forward, but you did not use the January 21, to April 22, 2000 service data as a source for looking forward?

A. We did not have -- the answer to that is yes, because we had four -- among others, four pieces of paper produced in the discovery, which were for calendar years and quarters in those calendars years in '99, '98, '97, and '96, which gave us 16 quarterly data points on the revenues and gross margins associated with the historical service business. When it came to January through February 15th, and February 15th through April 22nd, we did not have a clear picture of the gross margin for the service business loan except, to my best recollection, as we saw the first full month that was broken out, March may have been as well,

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but the first full month that we focused on, with great weight, not because of anything other than we thought it was the business data point, and the last good data points was the four weeks ending April 22nd, which was Inacom, and clearly Inacom, post the sale of the distribution business, and even reflected a 28 percent gross margin and a $820 million annual revenue run rate without the benefit of any noticeable portion, or any portion of the $85 million of revenue that was to come to Inacom from Compac, pursuant to the distribution -- sales and service agreement that also had an expected 10 percent EBITDA margin attached to it, as set forth in the January Goldman board presentation.

Q. Okay, back to page 21. In the second bullet point -- why don't I give you a moment to read that to yourself. Have you had a chance to do so?

A. Yes.

Q. In the second sentence you say, "as a result, Inacom's financial statements do not provide a clear basis for projecting long-term EBITDA margins for its service business."